

**Cost Per Case-Mix Adjusted Discharge Formula
Proposed by the Maine Hospital Association
October 7, 2003**

Total Expenses – Bad Debt – State Hospital Tax

Inpatient Discharges x Case-Mix Index

+

(Outpatient Revenue / (Inpatient Revenue / Inpatient Discharges))

NOTES:

**All data is taken from the hospital's Medicare cost report.*

- Total Expenses is defined as hospital only expenses. This includes any item that is listed on the cost report as a sub-provider, such as a Psychiatric or Rehab Unit. This does not include non-hospital cost centers shown on the cost report, such as Home Health Agencies, Nursing Facilities, Swing Beds, Skilled Nursing Facilities, and Hospital-owned Physician Practices.
- Bad Debt is defined in the Medicare Cost Report and taken directly from the cost report.
- The State Hospital tax was a one-time assessment paid in 2003. This is removed because it was a one-time expense making it not conducive for comparison from year to year.
- Inpatient Discharges are taken directly from the Medicare Cost Report.
- The CMS Medicare Case Mix Index is used to adjust the formula for acuity. The CMS Medicare Case Mix Index was chosen because it is a measure that was already calculated for the base year and is currently used by all Maine Hospitals. It also has the advantage of being used by other States and allows for regional and national comparisons.
- There is no such thing as an outpatient discharge, so therefore a formula is needed to establish “revenue per outpatient discharge”. This uses a standard industry formula that divides inpatient discharges into inpatient revenue and establishes a factor. This factor is then divided into outpatient revenue to get revenue per “outpatient discharge”.

Maine Hospitals -- Fiscal Years

	Base Year	1st Comparison Year	Medicare Cost Reports Avail. For Comparison
Bridgton	7/01/02-6/30/03	7/01/03-6/30/04	12/1/2004
Central Maine Med. Ctr.	7/01/02-6/30/03	7/01/03-6/30/04	12/1/2004
Franklin Memorial	7/01/02-6/30/03	7/01/03-6/30/04	12/1/2004
Maine Coast Me. Hosp.	7/01/02-6/30/03	7/01/03-6/30/04	12/1/2004
MaineGeneral Med. Ctr.	7/01/02-6/30/03	7/01/03-6/30/04	12/1/2004
Millinocket	7/01/02-6/30/03	7/01/03-6/30/04	12/1/2004
Redington-Fairview	7/01/02-6/30/03	7/01/03-6/30/04	12/1/2004
Rumford Community	7/01/02-6/30/03	7/01/03-6/30/04	12/1/2004
Waldo County	7/01/02-6/30/03	7/01/03-6/30/04	12/1/2004
York	7/01/02-6/30/03	7/01/03-6/30/04	12/1/2004
N.E. Rehab	9/01/02-8/31/03	9/01/03-8/31/04	2/1/2005
Acadia Hospital	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
Aroostook Medical Ctr.	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
C. A. Dean Mem. Hosp.	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
Eastern Maine Med. Ctr.	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
Houlton Regional	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
Inland Hospital	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
Maine Medical Ctr.	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
Mayo Regional	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
Mid Coast Hospital	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
Miles Memorial	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
Northern Maine Med. Ctr.	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
Sebasticook Valley	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
Spring Harbor	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
St. Andrews	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
Stephens Memorial	10/01/02-9/30/03	10/01/03-9/30/04	3/1/2005
Calais	1/01/03-12/31/03	1/1/04-12/31/04	6/1/2005
Cary	1/01/03-12/31/03	1/1/04-12/31/04	6/1/2005
Down East Community	1/01/03-12/31/03	1/1/04-12/31/04	6/1/2005
Mercy	1/01/03-12/31/03	1/1/04-12/31/04	6/1/2005
Parkview Adventist	1/01/03-12/31/03	1/1/04-12/31/04	6/1/2005
Penobscot Valley	1/01/03-12/31/03	1/1/04-12/31/04	6/1/2005
St. Joseph	1/01/03-12/31/03	1/1/04-12/31/04	6/1/2005
St. Mary's	1/01/03-12/31/03	1/1/04-12/31/04	6/1/2005
Blue Hill	4/01/03-3/31/04	4/01/04-3/31/05	9/1/2005
Penobscot Bay Med. Ctr.	4/01/03-3/31/04	4/01/04-3/31/05	9/1/2005
Mount Desert Island	5/01/03-4/30/04	5/01/04-4/30/05	10/1/2005
Southern Maine Med. Ctr.	5/01/03-4/30/04	5/01/04-4/30/05	10/1/2005
Goodall Hospital	6/01/03-5/31/04	6/01/04-5/31/05	11/1/2005

PROPOSAL FOR MAINE HOSPITAL ASSOCIATION REPORT ON CHARGES, COST EFFICIENCY AND CONSOLIDATED OPERATING MARGINS

2/24/04

***Report.** By January 1, 2004, the Maine Hospital Association and the Governor's Office of Health Policy and Finance shall agree on a timetable, format and methodology for the hospital association to report on hospital charges, cost efficiency, and consolidated operating margins. In accordance with the agreement, the Maine Hospital Association shall report to the Governor and the joint standing committee having jurisdiction over health and human services matters.*

Proposal

TIMETABLE

The report will be based upon as filed Medicare cost reports and audited hospital consolidated financial statements and will include data from each of the Maine Hospital Association's 38 member hospitals. The report will use data from hospital fiscal years beginning on or after July 1, 2003, so as filed Medicare cost reports will not be available for all hospitals until the fall of 2005. Therefore, the Maine Hospital Association proposes to issue the final report by December 31st, 2005.

The Maine Hospital Association proposes to issue an interim report by October 31st, 2004. This interim report will be based upon data submitted to MHA and will consist of industry-wide, non-hospital specific data.

FORMAT and METHODOLOGY

Charges

Overall charge increases are not currently reported to any government entity. The report will list all Board approved charge increases that take place during the hospital fiscal year. This section of the report will be specific to each member hospital and charge increases will be reported by percentage increases. These charge increases are specifically approved by the hospital Board of Directors and are recorded in the official minutes of the Hospital Board.

The report will also include total industry-wide charges, expressed as gross patient service revenue, for hospital fiscal years ending in 2003 and 2004.

Cost Efficiency

The report will list a Cost Per Case-Mixed Adjusted Discharge for each member hospital and will compare the CPAD for the hospital fiscal year beginning on or after July 1, 2003 with the previous hospital fiscal year. This section will be reported consistent with the presentation made by MHA to the Governor's Office of Health Policy and Finance on October 7, 2003 (see attached).

The report will also include industry-wide cost efficiency measures. MHA believes that these eight measures can be accurately compared with other states and offer meaningful cost efficiency comparisons. All data will be taken from as filed Medicare cost reports, Census Data, CMS data, Hospital Financial Statements or MHDO data.

Hospital Patient Days per 1000 population (*MHDO/Census*)

Hospital Length of Stay, by the 10 most common DRG's (*MHDO*)

Overall Hospital Length of Stay, adjusted by Case-mix (*MHDO*)

Health Care and Hospital Expenditures per capita (*CMS/Financial Statements/Census*)

Medicare revenue as a percent of total hospital charges (*Cost Reports/Financial Statements*)

Medicaid revenue as a percent of total hospital charges (*Cost Reports/Financial Statements*)

Uncompensated care, broken out between bad debt and free care, and as a percent of total hospital charges (*Financial statements*)

Inpatient Care/Outpatient Care revenue mix (*Cost Reports/Financial Statements*)

Consolidated Operating Margins

Consolidated Operating Margin is defined as:

Operating Revenue (minus) Operating Expense

With the net amount expressed as a percentage of Operating Revenue

Every Maine Hospital is required to have an audited financial statement prepared by a Certified Public Accountant at the end of its fiscal year. These audited financial statements contain data that shows what the hospital's consolidated operating margin was for the year. The corporate structure differs among hospitals, but data from the audited financial statement will be how MHA will report consolidated operating margins, by hospital, for hospital fiscal years beginning on or after July 1, 2003. The report will show consolidated operating margins and operating margins by subsidiary.